



24th August, 2021 / ૧૦૪૧૧

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Sachivalaya
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Natubhai Patel
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Hon. Secretary

V. P. Vaishnav
Hon. Secretary (R)

Sachin K. Patel
Hon. Treasurer

Sub:- Clarification required on the eligibility of Remission Notification No GHN-76)VAT-2017-S.41(1)(18)/Th: Dated 5th September, 2017 for natural gas used for captive power for use in manufacture of GST goods regarding.

Dear Sir,

We write this letter to invite your kind attention to issue of interpretation of the proper applicability of VAT on the procurement of Natural Gas under Notification No GHN-76)VAT-2017-S.41(1)(18)/Th: dated 5th September, 2017.

As you would know, natural gas is subject to VAT @6% (as against a rate @15%) in the state when used in the manufacture of GST goods except when used in generation of electricity or fertilizers. In other words, when such gas is used in generation of electricity or manufacture of fertilizers the tax rate is 15%.

The key question is whether this benefit will apply when natural gas is first used for captive generation of power which in turn is further used for the manufacture of eligible GST goods.

The stated notification was issued under Section 41 (Remission of tax, penalty or interest) of the Gujarat VAT Act which deals with powers to redress issues of double taxation or inequitable situations.

Notification thus seeks to eliminate the dual impact of GST on goods where an input suffers a non-GST tax. Levy of VAT @15% on a key input would make the total burden on finished products far higher thus making manufacturing in Gujarat uncompetitive. Thus, it seems the rebate is also 9% equal to the standard SGST rate.

The new notification is a departure from the previous notification which categorically denied benefit for use in captive power. It is a normal judicial principle of tax interpretation that any key changes in wordings of law is intentional and purposeful.

It is thus our understanding that benefit of remission in VAT rate is not available only when natural gas is used directly for generation of electricity for sale to third parties.

In other words remission will be available for the entire quantity of Natural Gas when such gas is used even indirectly in the manufacturing process of GST Goods i.e. when used as fuel in Captive Power Plant to generate electricity which in turn is used in manufacture of GST Goods.

Any different interpretation would result in substantial increase in the cost of manufacture of GST goods and would sure be counterproductive to the competitiveness of the State, impacting both its revenues and exports. This will induce manufacturers to source the gas from imports or outside the state sources.

We assure you once again that a favourable clarification will only improve the revenues of Gujarat, win-win for both sides and add to the prosperity of the State.

In view of above, we request you to kindly issue a clarification to the effect that the benefit of remission under the said Notification will be available to industries using natural gas for generation of captive power which is consumed for manufacture of GST goods.

Thanking you,

Yours sincerely,



Natubhai Patel
President